Toward a conceptual model of the role of entrepreneurship in the family office

By: Kirby Rosplock, Juan Roure, Juan Luis Segurado, and Dianne H.B. Welsh.

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Abstract:

This study explores the development of the family office as an entrepreneurial process. We focus on how multigenerational family ownership groups reinvent themselves to manage and govern a family office beyond its main operating business as if it was its *main* business for the purpose of wealth acceleration across generations. There is a diverse understanding of what a family office is across family-owned firms. We draw attention to the entrepreneurial nature of the process of implementation and development of the family's other investments, ventures, and services, which is conceptually more widely understood by those family enterprises that do not consider themselves as having a family office. We examined 32 enterprising families, of which 40 individuals were interviewed. We put forth a conceptual model that incorporates entrepreneurship antecedents, elements, and consequences whose factors are keys to sustainability of the family office. Six propositions are suggested for future research. Implications are discussed.

Keywords: family office | multigenerational | entrepreneurship | wealth acceleration

Article:

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Toward a Conceptual Model of the Role of Entrepreneurship in the Family Office

Juan Roure, University of Navarra
Juan Luis Segurado, University of Navarra
Dianne H. B. Welsh, The University of North Carolina
Kirby Rosplock, GenSpring Family Offices

Executive Summary

This study explores the development of the family office as an entrepreneurial process. We focus on how multigenerational family ownership groups reinvent themselves to manage and govern a family office beyond its main operating business as if it was its *main* business for the purpose of wealth acceleration across generations. There is a diverse understanding of what a family office is across family-owned firms. We draw attention to the entrepreneurial nature of the process of implementation and development of the family's other investments, ventures, and services, which is conceptually more widely understood by those family enterprises that do not consider themselves as having a family office. We examined 32 enterprising families, of which 40 individuals were interviewed. We put forth a conceptual model that incorporates entrepreneurship antecedents, elements, and consequences whose factors are keys to sustainability of the family office. Six propositions are suggested for future research. Implications are discussed.

Introduction

Families in business to create and sustain wealth, have to be continuously entrepreneurial and think long term about sustaining their family enterprise. Entrepreneurship in family firms is an instrumental factor in adjusting to changes in socio-economic conditions (Chua, Chrisman, & Sharma, 1999; Hall, Melin, & Nordqvist, 2001; Lumpkin, Brigham, & Moss, 2010; Montemerlo, 2005). Family business scholars have long recognized that there is a lack of understanding with regard to how families continuously reinvent and regenerate themselves over generations to assure continuity through wealth accumulation (Habbershon & Pistrui, 2002; Hoy & Sharma, 2010; Hoy & Vesper, 1994; Salvato, Chirico, & Sharma, 2010).

The foundational premise of this paper is that the decision-making process implemented by a family ownership group concerning the collective management and governance of its other investments, ventures, and asset allocations or family office, is an entrepreneurial phenomenon that may have an impact on its ability to expand wealth over generations, while achieving continuity as a family business. There is no universally accepted definition of a "family office" (Rosplock & Welsh, 2012). Nevertheless the concept has been anecdotally addressed mainly on the basis of an advisory service-driven focus by the practitioner literature within the wealth management industry (Avery, 2004; Family Office Exchange, 2009; Family Wealth Alliance, 2010; Johnson, 2011; GenSpring Family Offices, 2010; Gray, 2004; Hauser, 2001; Mathieu, Strassler & Pearl, 2010; McCollouqh, 2010; Newton, 2002; Strike, 2012; Venulex Legal Summaries, 2011). Specifically, we define the family office as an entity created to provide continuity, planning, and execution of investment and wealth management activities of a family that promote, perpetuate and preserve its wealth, values and legacy. This broad definition is aimed at embracing the dynamic decisional process underlying the three typical scenarios that lead to the formation of a family office (Fernández Mayo & Castro Balaguer, 2011; Gray, 2005; Hauser, 2001; Jaffe & Lane, 2004; Rosplock et al. 2012; Schwass & Diversé, 2006). These scenarios are: i) the wealth transfer process inside the family's main operating business, in which a family office may become a vehicle for the transfer of assets across generations; ii) the separation of family wealth from the family business, through which business families seek to improve their governance structures and channel their entrepreneurial spirit across generations by creating a formal unit to manage and govern the family's wealth independent from the main operating business; and iii) the partial or total sale of the family business via a trade sale or an IPO that creates the need for managing the wealth from the liquidation of the main operating business. We argue that these decisions are driven by the degree to which entrepreneurship influences the ability to increase wealth over generations and achieve continuity.

With the exception of a few articles (Brown & Jaffe, 2009; Family Office Exchange, 2012; Gilding, 2005; Gray, 2004, 2005, 2006, 2007; Hauser, 2001; Jaffe et al., 2004; Leleux, Schwass & Diversé, 2006; Salvato, et al., 2010; Schwass & Diversé, 2006), we know little about the entrepreneurial processes that underlie the implementation and development of a family office. This topic has traditionally been looked at from the perspective of conflict resolution or reconciliation in family firms. This also includes the development of a family office to solely manage the family's assets, typically once the operating family business has been liquidated (Curtis, 2001). Consequently, the adoption of a family office has been examined as a means families use to create new "institutional vehicles" to solve challenges involving the reconciliation of the family and individual conflicting interests. More specifically, the limited literature on the implementation of a family office unit as an "institutional vehicle" has focused on how families should sustain or build the corporate and family control systems for operations and ownership as a means for developing and/or improving the business' functioning (Brown & Jaffe, 2009; Elstrodt, 2003; Gray, 2006, 2007; Hamilton, 1997; Jaffe et al., 2004; Leleux et al., 2006; Newton, 2002; Shaw, Grove & Prince, 2004). More recently, a number of practitioner studies conducted by the wealth management industry have focused on demographics, structure, and criteria for the family office, internal and external management recruitment, as well as the governance mechanisms and the services provided (Avery, 2004; Budge, 2007; Chhabra, Koneru, & Zaharoff, 2008; Johnson, 2011; Gray, 2008a, 2008b; Lowenhaupt, 2008; McCollouqh, 2010; Mathieu et al., 2010; Family Office Exchange, 2012). Other studies have addressed the positioning of family office services as a product in the market of wealth management (Caselli, 2005), and the way these units operate and allocate the family's assets, the managerial skills required, and the performance from their asset allocation strategies (Amit, Liechtenstein, Prats, Millay & Pendleton, 2008).

The Study

This study explores the development of the family office as an entrepreneurial process. We focus on how multigenerational family ownership groups reinvent themselves to manage and govern a family office beyond its main operating business as if it was its *main* business for the purpose of wealth acceleration across generations. Our study shows a low level of knowledge and understanding of the family office by those in the family business, as well as a lack of clarity and consistency of the term in the wealth management industry (Shapiro, 2002). We draw attention to the entrepreneurial nature of the process of implementation and development of the family's other investments, ventures, and services, which is conceptually more widely understood by those family enterprises that do not consider themselves as having a family office. Similar to the definitional challenges of family business, some families claim to have a family office and others have the semblance of a family office, but do not perceive themselves as having one. A family office often depends on whether the family identifies itself as having one. For those who do not, we use the "family's other investments, ventures, and services" for our study. We define a "family's other investments, ventures, and services" as: 1) those investments that a family shareholder group may undertake in various types of assets, such as investments in equities or in fixed income and/or real estate assets, collectables, direct investments in private equity, such as other new or established companies and ventures, investments in venture capital, private equity and/or hedge funds as limited partners; and 2) those that are implemented and developed by the owning family as a collective approach in terms of strategy, management, and governance.

We explore why and how families implement and develop their other investments, ventures, and services or a family office, how they approach the management of their assets aligned with their main operating business, and what the enabling factors underlying such process are. This includes the implementation of specific ventures and services for the family that are an essential entrepreneurial phenomenon. In this paper, we propose a conceptual model of the entrepreneurial process of the development and implementation of the family office.

The Implementation of a Family Office as an Entrepreneurial Process

We adopt the integrated definition of a multigenerational, enterprising family as an ownership group with dominant entrepreneurial behavior types that deliberately focuses on the recognition and exploitation of opportunities across various stages of development (Hoy & Sharma, 2010) to grow and protect its shared wealth together by way of business value creation (Habbershon et al., 2002). In this sense, family business entrepreneurs are thought to be a unique type of entrepreneur in that they create and develop businesses with the purpose of capturing economic value, but also of building an enduring family legacy. Chrisman, Chua, & Steier, (2003) assert that succession is not only a process of replacement of one family generation by the next successor generation, but it may also involve a process of strategic and/or organizational change. This process of change essentially brings into play the need for an enterprising profile and behavior that call for entrepreneurial initiatives. The family's values shape the family's entrepreneurial orientation, and this must be preserved to create wealth across generations.

Building a Family Office: An Entrepreneurial Process within the Family Business System

The implementation and development of the family office is an entrepreneurial decision-making process that can be deployed in different family firm contexts and embodies the decision-taking sequence: opportunity discovery, recognition, and exploitation (Shane & Venkataraman, 2000; Venkataraman, 1997); resource acquisition, entrepreneurial strategy, and organizational development and performance (Shane, 2003; Stevenson & Gumpert, 1985, Stevenson & Jarillo, 1990). Shane's (2003) model depicts the order in which the entrepreneurial activity takes place so we use this framework to guide both our fieldwork and data analysis process. The implementation of the family office as an entrepreneurial process draws on strategic management, entrepreneurial strategy, and financial management in the sense that it is an entrepreneurial action that is strategic to create trans-generational wealth by the family shareholder group (Burgelman, 1983, 1985; Hitt, Ireland, Camp, & Sexton, 2001, 2002; Ireland, Hitt, Camp, & Sexton, 2001; Kellermanns & Eddleston, 2006; Kellermanns, Eddleston, Barnett, & Pearson, 2008; Hornsby, Naffziger, Kuratko, & Montagno, 1993; Sharma, Chrisman, & Chua, 1997; Zellweger, Nason & Nordqvist, 2012). We focus on those perspectives, patterns, and/or drivers that underlie and influence the process of implementation and development of the family office rather than on the design and implementation of a particular investment/asset management strategy.

Methods

This paper draws on inductive interpretative research based on data collected from case-based studies as a congruent methodology approach to the research questions implied (Suddaby, 2006). Since we are interested in exploring "why" and "how" questions with regard to the implementation and development of family-office-related activities, we purposely use case-based studies (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Nordqvist, Hall, & Melin, 2009; Yin, 1994). Our methodological approach builds on existing theory to understand the entrepreneurial process in the context of a family ownership group, including the complex family and business dynamics that influence this process. A case-based research method also allows us to incorporate different perspectives into our analysis. This dual research approach allows us to gain insights about patterned relationships and how to interpret reality (Glaser & Strauss, 1967; Suddaby, 2006).

Sample Selection

Due to the lack of an agreed upon definition of the family office, we selected family ownership groups with a turnover and/or net wealth size specification—ownership and operation of a family business with revenues of $25M+ and/or with a personal net worth in excess of $20M+ and have/had a family business. We examined 32 enterprising families. Sixty-nine percent of the family businesses were U.S.-based (23 businesses) and 21% outside the U.S. (10 businesses), with 9 being headquartered in Spain. Of the 32 family businesses, 38% are/were holding companies, of which a 100% own/owned the main operating business. Seventy percent of the families still own the primary operating business, and are mainly second- and third-generation family businesses. The industries ranged from manufacturing/material/plastics (12), wholesale/distribution (7), construction (6), real estate brokerage/development (5), and insurance/accounting (1) (Table 1) Our sample shows a broad range of both company sizes and household net worth sizes, with 50% of the families managing their wealth collectively. We define collective wealth management as those families who deliberately pool together the wealth of a single nuclear family or multiple branches and/or generations (Table 2).

Table 1. Case Demographics

Case	Founded	Industry	Location	Generation involved	Ownership structure (operating business) (%)			Employees in operating business* (interval)	Total Revenue of operating business* (Interval) (in M)
					Family	Non-family	Public		
1	1961	Construction	USA	2G	100%			100-250	$100-250M
2	1962	Business Services	USA	2G	100%			250-500	$50-100M
3	1980	Real State Brokerage/ Development	USA	2G	100%			<25	N/A
4	1976	Real State Brokerage/ Development	USA	2G	100%			>1000	$25-50M
5	1962	Wholesale/Distribution	USA	2G	100%			100-250	$100-250M
6	1950	Construction	USA	3G	100%			<25	$5-25M
7	1954	Wholesale/Distribution	USA	2G	75%	25%		250-500	<$5 M
8	1935	Manufacturing/Materials/ Plastics	USA	2G	78%		22%	250-500	$100-250M
9	1963	Wholesale/Distribution	USA	2G	100%			100-250	$5-25M
10	1934	Insurance/Accounting	USA	3G	64%	34%		25-50	$5-25M
11	1946	Printing/Publishing	USA	3G	100%			<25	<$5 M
12	1948	Machinery/Manufacturing/ Automation	USA	3G	100%			500-1000	$100-250M
13	1983	Manufacturing/Materials/ Plastics	USA	2G	75%	24%	1%	>1000	$500M-$1B
14		Investment/Finance/ Banking	USA	Other: 14thG	100%			<25	<$5 M
15	1958	Other	USA	3G	100%			<25	$100-250M
16	1923	Manufacturing/Materials/ Plastics	USA	2G	100%			100-250	$50-100M
17	1942	Manufacturing/Materials/ Plastics	USA	2G	100%			>1000	$50-100M
18	1969	Other	USA	2G	100%			500-1000	$100-250M

Table 1. Case Demographics

Case	Founded	Industry	Location	Generation involved	Ownership structure (operating business) (%)			Employees in operating business* (interval)	Total Revenue of operating business* (Interval) (in M)
					Family	Non-family	Public		
19	1976	Real State Brokerage/ Development	USA	2G	100%			50-100	$50-100M
20	1979	Manufacturing/Materials/ Plastics	USA	Other	100%			50-100	$50-100M
22	1950	Manufacturing/Materials/ Plastics	USA	Other: 5G	90%	10%		>1000	$500M-$1B
22	1960	Other	USA	3G	100%			>1000	$250-500M
23	1930	Wholesale/Distribution	SPAIN	3G	100%			>1000	$500M-$1B
24	1955	Wholesale/Distribution	SPAIN	3G	100%			250-500	$100-250M
25	1960	Food Processing/Food Service/ Berverage	SPAIN	2G	50%	50%		250-500	$500M-$1B
26	1953	Construction	SPAIN	2G	100%			>1000	$500M-$1B
27	1949	Machinery/Manufacturing/ Automation	SPAIN	3G	100%			25-50	$25-50M
28	1947	Other	SPAIN	3G	100%			50-100	$5-25M
29	1827	Manufacturing/Materials/ Plastics	FRANCE/SPAIN	2G	100%			>1000	$1B-$5B
30	1940	Manufacturing/Materials/ Plastics	SPAIN	2G	65%	35%		100-250	$250-500M
31	1960	Machinery/Manufacturing/ Automation	SPAIN	2G	100%			50-100	$5-25M
32	1982	Food Processing/Food Service/Beverage	SPAIN	2G	90%	10%		100-250	$25-50M

Table 2

Management of the Family's Investments, Wealth & Assets

Case	Family stills owns the FB (Y/N)	Estimated household net worth (interval)	Family collectively manage its wealth(1)	The family directly invests through…
1	YES	$50-100M	YES	Multi-Family Office
2	YES	$25-50M	NO	Broker Dealer
3	YES	$5-10M	NO	Other (3)
4	YES	$100-200M	NO	Broker Dealer
5	YES	$100-200M	NO	Broker Dealer
6	YES	$5-10M	NO	Bank
7	NO	$10-25M	NO	Trust Company
8	NO	$25-50M	NO	Broker Dealer
9	YES		NO	Bank
10	YES	$5-10M	NO	Broker Dealer
11	YES	>$1 M	NO	Broker Dealer
12	YES	$25-50M	NO	Multi-Family Office
13	NO	>$1 M	YES	Single Family Office
14	NO	$5-10M	YES	Single Family Office

Table 2
Management of the Family's Investments, Wealth & Assets

Case	Family stills owns the FB (Y/N)	Estimated household net worth (interval)	Family collectively manage its wealth(1)	The family directly invests through…
15	NO	$25-50M	YES	Multi-Family Office
16	YES	$10-25M	NO	Broker Dealer
17	YES	$25-50M	YES	Single Family Office
18	YES	$5-10M	NO	Other
19	NO	$100-200M	NO	Multi-Family Office
20	YES	$10-25M	YES	Multi-Family Office
21	YES	$25-50M	NO	Broker Dealer
22	YES	$50-100M	YES	Broker Dealer
23	YES	$500M+	YES	Single Family Office
24	YES	$50-100M	YES	Single Family Office
25	NO	$200-500M	YES	Single Family Office
26	YES	$200-500M	NO	Other
27	YES	$200-500M	YES	Single Family Office
28	YES	$50-100M	YES	Bank
29	NO	$500M+	YES	Single Family Office
30	NO	$200-500M	YES	Single Family Office
31	YES	$200-500M	YES	Other
32	YES	$25-50M	YES	Single Family Office

(1) By collectively manage the wealth, it is meant those families who deliberately pool together the wealth of a single nuclear family or multiple branches, and/or generations of family together.
(2) These activities include the family's investments and ventures outside the main operating business and/or other services for the family.
(3) Other mentions included self-direct investments, invest with an Registered Investment Advisor (RIA), Fund Manager, or Asset Manager.

Data Collection

We used a survey questionnaire and semi-structured in-depth interviews. The questionnaire was presented at least one week prior to the interview. The questionnaire focused on history, structure, and governance issues from the perspective of the family and the business. Wealth management, entrepreneurial orientation, as well as concerns for the future were also explored. A total of 52 family members from the 32 families completed the survey. Of these 52 family members who completed the survey, 40 were interviewed (See Table 3). In most cases, two key family members from different generations completed the survey and were interviewed. In some cases, only one family member or two family members from different divisions of the business, but from the same generation, participated.

The interview protocol was as follows: 1) the approach participants took to managing the family business in relationship to their other investments, ventures, and services; 2) in case of the family no longer actively operating the business, they should respond to the questions reflecting back to when they did have the operating business; 3) the evolution of families with businesses and/or wealth, including when, why, and how some families opt to start family offices, join a multi-family office, or task family business professionals with wealth management activities; 4) entrepreneurial orientation and governance processes of the family and its business and how/if that impacted the manner that they invested or managed other outside ventures; and 5) important success factors for families to sustain their wealth. The interview included questions concerning the background of the family ownership group, their current situation, earlier stages of the family business and/or the family office, and perceptions of key success factors for the future.

Table 3 Survey Responses & Interviews Per Case

Case	Founder responses / (Founder interviewed)	Successor responses / (Successors interviewed)	Total of responses / (interviews)	Case	Founder responses / (Founder interviewed)	Successor responses / (Successors interviewed)	Total of responses / (Interviews)
1	1 / (1)	1 / (1)	2 / (2)	17	1 / (1)	1 / (1)	2 / (2)
2	1 / (1)	1 / (1)	2 / (2)	18		1 / (1)	1 / (1)
3	1 / (1)	1 / (1)	2 / (2)	19	1 / (1)	1 / (1)	2 / (2)
4	1 / (1)	1 / (1)	2 / (2)	20	1 / (1)	1 / (1)	2 / (2)
5		1 / (1)	1 / (1)	22	1 / (1)	1	2 / (1)
6		2 / (2)	2 / (2)	22	1	1	2
7	1 / (1)	1 / (1)	2 / (2)	23	1 / (1)	1	2 / (1)
8		1 / (1)	1 / (1)	24	1	1 / (1)	2 / (1)
9		1 / (1)	1 / (1)	25		1 / (1)	1 / (1)
10		2 / (2)	2 / (2)	26	1	1	2
11		1 / (2)	1 / (2)	27		1	1
12		1 / (2)	1 / (2)	28		1	1
13		2 / (2)	2 / (2)	29		1	1
14		2 / (2)	2 / (2)	30	1		1
15		2 / (2)	2 / (2)	31	1	1	2
16		2 / (2)	2 / (2)	32	1		1

Total Surveys / (Interviews) 52 / (40)

The research team identified focal points for relevant data collection. We assumed the process of implementation of family-office-related activities as a particular organizational form of family entrepreneurship with implications for long-run sustainability and wealth creation. The entrepreneurial activity may take the form of *venturing* activities undertaken by the family as an ownership group but also of family *renewal* activities (Covin & Miles, 1999; Marchisio, Mazzola, Sciascia, Miles, & Astrachan, 2010; Salvato et al., 2010; Sharma & Chrisman, 1999). We concentrated on the role and relationships of three corporate entrepreneurship drivers of families, as a shareholder group, dealt with their other investments, ventures, and services over time: the role of entrepreneurial values, vision, and strategy; the role of conducive organizational structures, processes, and systems; and the role of entrepreneurial profiles and attitudes to the development of family-office-related activities.

The interviews were recorded and transcribed into a qualitative data template based on Shane's seven area entrepreneurial process model (Shane, 2003): 1) the triggering factors for collectively developing and managing the family's other investments, ventures, and services; 2) the context for the decision to adopt a collective approach to develop and manage the family's other investments and wealth management activities; 3) the strategic building process of the collective approach to develop and manage activities; 4) the development of organizational structures for managing and governing activities; 5) the perceptions of outcomes of the entrepreneurial process based on the current approach to managing and governing activities; 6) the perceptions of future challenges for the family's wealth management and sustainability; and 7) the impact of passing on the entrepreneurial spirit across generations.

Data Analysis

Using an inductive analysis approach with the qualitative data, we structured the raw data according to areas of interest, independently analyzed the transcripts, contrasted emerging themes and patterns in the context of the areas of interest on an ongoing basis, as well as with the theoretical specifications from the literature review, and, finally, specified what relationships, if any, among these emerging themes, patterns, and components of the entrepreneurial process. For each case, we first examined why and how the implementation and development of the family's investment and wealth-management-related activities and outcomes by looking at the current management and governance model concerning this type of activities. Then we interpreted the transcribed interviews. We grouped the interviews according to those families that indicated that they managed their wealth collectively versus those that indicated they were not yet aligned as a collective body to develop, manage, and govern such family activities. Thus, we could analyze more in-depth some of the focal items and associated sub-items pointed out by the interview protocol for data collection, but also allowing for the identification of new ones after data collection. On this basis, we categorized a final set of sub-items that became apparent at the family and business levels that influence the entrepreneurial process that characterizes the development of a family office. We checked for within-group similarities and intergroup differences (Eisenhardt, 1989) against these sub-items (See Table 4 for a summary).

Table 4

Data analysis. Focal themes and sub-themes to the implementation of family office related activities as an entrepreneurial process

Role of entrepreneurial values, vision and strategy		Role of conducive organizational architecture		Role of entrepreneurial profiles / attitudes	
Level	Sub-themes	Level	Sub-themes	Level	Sub-themes
Family	*Business culture Family project Family ownership strategy*	Family	*Governance mechanisms Family agreements Family shareholders' knowledge and capabilities*	Family	*Entrepreneurial previous experience Mentoring and education of younger generations Attitudes to wealth creation*
Business	*Opportunity-driven culture Entrepreneurial strategic vision Portfolio business strategy*	Business	*Governance mechanisms Processes for opportunity seeking and recognition Reward systems*	Business	*Top manager's entrepreneurial behaviour and willingness Ownership strategies for opportunity exploitation*

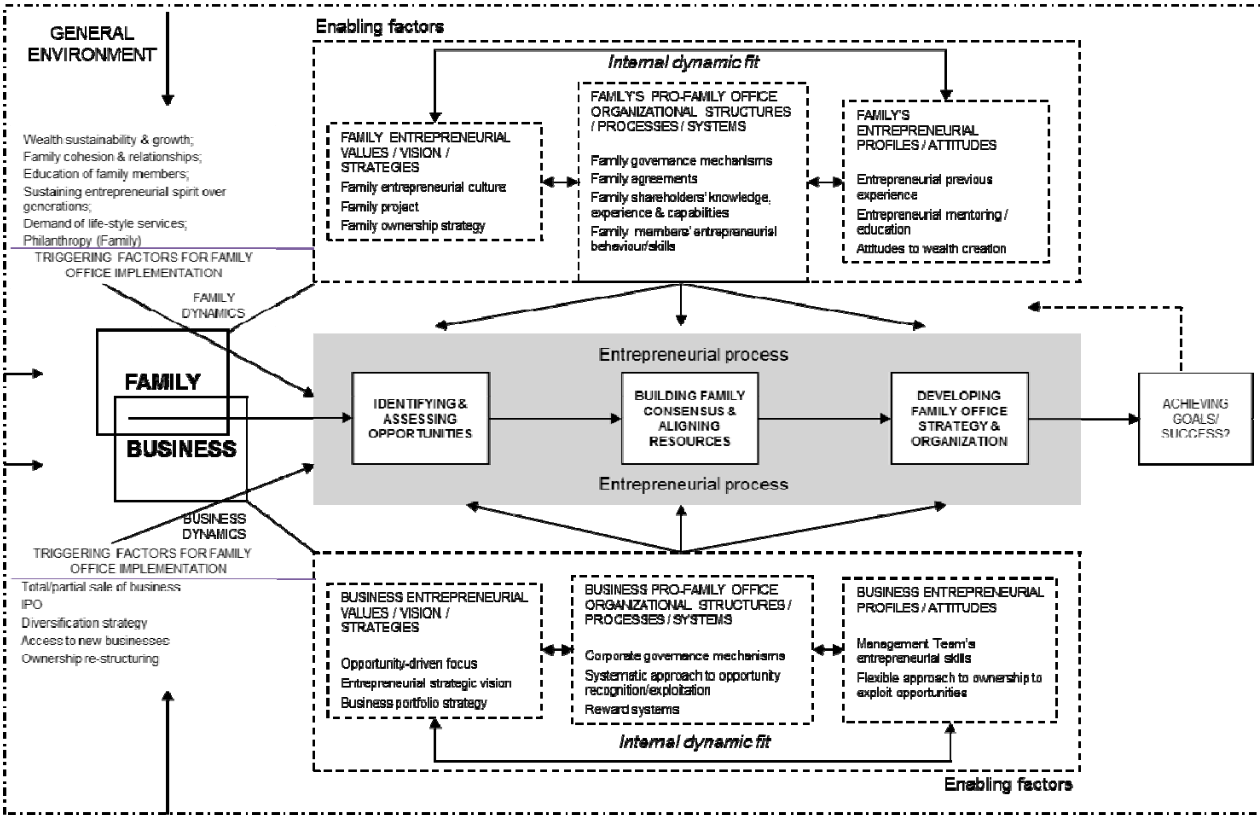
A Conceptual Model of the Implementation and Development of a Family Office

Our analysis suggests that the entrepreneurial process of implementing and developing the family office can be represented in three stages: The identification and assessment of opportunities, the building of a family consensus and the alignment of the needed resources, and the development of the family office strategy and organization (See Figure 1). The entrepreneurial process ultimately leads to some pattern of family office activity and/or organization that is precipitated by external and internal environmental conditions. It has been argued that family firms facing rapidly-changing competitive environments are better equipped by implementing entrepreneurial strategies (Lumpkin & Dess, 1996). There are defined mechanisms that generate entrepreneurial activities in existing firms (Kuratko, Hornsby, & Goldsby, 2004a; Sathe, 2003). Based on the corporate entrepreneurship literature (Covin & Miles 1999; Morris, Kuratko & Colvin, 2008; Kuratko et al., 2004a, among others), we argue that external environmental conditions, such as industry restructuring, market and product fragmentation, increasing competition, and technological change not only have an impact on the dynamics of a family-owned operating business, but, most importantly, on the dynamics of the owning family itself.

This leads to a second tier of internal triggers that may prompt the implementation of a family office over time. These internal triggering mechanisms are illustrated in Figure 1 as family-dynamics- and/or business-dynamics-driven with time. Many of these triggers are the logical result of the adaptation between external environmental conditions and the family firm. The structural evolution of some industries, market fragmentation, even shortened product life cycles, drive family firms to adopt a diversification strategy, acquisition strategy, to engage in ownership re-structuring, or to sell part or all of their businesses. This creates opportunities for new strategic entrepreneurial endeavors for the owning family. In parallel, multigenerational families, in response to external conditions, the increasing complexity of family relationships, and/or family demands, may reply with new approaches to managing the family's wealth, including new business/investment opportunities.

The three stages of the entrepreneurial process are strongly influenced by an interactive set of enabling factors within the family business system. Our conceptualization of the implementation and development process of the family office uses the components of an integrated model of intrapreneurship (Antoncic & Hisrich, 2003; Covin & Miles, 1999; Kuratko, Hornsby, Naffziger, & Montagno, 1993; Kuratko et al., 2004a; Marchisio et al., 2010; Morris et al., 2008) and applies them to the family-owned firm context, which includes three elements: 1) entrepreneurial values, vision, and strategy; 2) pro-family office organizational structures, processes, and systems; and 3) entrepreneurial profiles and attitudes. As shown in Figure 1, these three elements are integrally linked and embedded in the family and the business, and influence the entrepreneurial decision-making process behind the implementation and development of the family office.

Figure 1. A Conceptual Model of the Development & Implementation of the Family Office



Results

Enabling Factors Conveying Entrepreneurial Vision, Values, and Strategy

Our analysis of the interviews suggests that the development of a strong family entrepreneurial culture over generations underlies the entrepreneurial behaviors and profiles of the organization's top members. Our study shows that the creation of a strong organizational culture based on the owning family's entrepreneurial values and beliefs facilitates the establishment of a family office and establishes a systematic approach to pursue new opportunities in the family business. The system of values and beliefs of the owning family creates customer value, employee loyalty, and the purpose of family ownership and achievement. We also observed evidence that the presence of a meaningful family project over time that reflects the family's values, vision, and strategy is aligned with the establishment of a family office. The family vision and the business vision are aligned in the organization which results in a strong opportunistic focus that facilitates consensus around a family office.

The presence of a strong entrepreneurial strategic vision by the management team has been referred to as "an entrepreneurial dominant logic" (Ireland, Covin, & Kuratko, 2009). The building of a portfolio business strategy can be seen as a sign of such entrepreneurial dominant logic. We observed that in multigenerational family firms the presence of a portfolio strategy acts as a highly enabling precedent for a family ownership group to collectively decide how to invest beyond the family's main holdings. The experience of the firm in designing a portfolio strategy is a representation of a strong entrepreneurial culture and a well-defined family project, which evolves into a strategic approach. For example, some multigenerational family firms are able to build a diversified portfolio of lower risk companies with stable cash flows, complemented with stakes in companies with higher risk and returns, with additional exposures through venture capital and private equity investments. The goal is to gain the adequate flexibility to redefine the portfolio continuously and take advantage of new growth opportunities. For wealth management purposes, we find that a portfolio management approach similar to this is an extremely valuable "learning tool" or "infrastructure" for those family ownership groups seeking to develop and implement some form of family office activity and governance beyond their main holdings. Table 5 summarizes Propositions 1 and 2 associated with the role of enabling factors conveying entrepreneurial vision, values, and strategy, and the development of a family office.

Family Office Enabling Factors

Clear family agreements and governance systems appear to significantly influence the family ownership group to progress successfully toward forming the family office. This is most relevant when the family needs to reach a consensus or to align resources. Building family office capability in some family firms also seems to depend on the degree of internalization of a systematic approach to opportunity recognition and exploitation in the organization overall. It has been argued that entrepreneurial strategic visions are made possible when entrepreneurial processes of opportunity, recognition, and exploitation take place in the organization as a whole (Webb, Ketchen, & Ireland, 2010). We found at the firm level systematic processes for recognizing and exploiting opportunities which crossed boundaries to reach the family domain, facilitating the development of family office activity, whether or not the opportunity is related to the main operating business or the family's core holdings. When an organization displays a systematic capacity to recognize and exploit opportunity, it is entrepreneurially capable (Covin & Slevitn, 1989) in the sense that an integrated set of resources has the capacity to work together in the performance of a task (Harrison, Hitt, Hoskisson, & Ireland, 2001). This capability is an essential attribute of entrepreneurial firms. A family office must look beyond the main operating business and be aware of other possible innovation models in markets, products, or technologies. Table 5 summarizes Propositions 3 and 4 associated with the role of a conducive organizational architecture at the family and business level, and the development of a family office.

Enabling Factors Conveying Entrepreneurial Profiles and Attitudes

The impact of entrepreneurial mentoring "structures" on the new generations is often leveraged in the strong entrepreneurial profiles of leading family members, such as when parents mentor offspring (Gallo, Klein, Montemerlo, Tomaselli, & Cappuyns, 2009). We found that the presence of entrepreneurial mentoring may affect the implementation of family offices. In entrepreneurial families that practice mentoring, they develop structures to give direct support to business ventures proposed by family members, including business plan assessment and funding.

Studies have explored the internal organizational factors that promote the emergence of entrepreneurial behavior and actions in established organizations (Covin & Miles, 1999; Covin & Slevin, 1991; Dess, Lumpkin, & McGee, 1999; Kuratko, 2009; Kuratko et al., 1993, 2004a; Stevenson & Jarillo, 1990; Zhara, 1991). These factors determine the "personality" that characterizes the internal environment of the firm, so that they are considered as antecedents of the entrepreneurial behavior on which an organization is built. An internal environment that is supportive of opportunity-seeking as well as exploitation and innovation on an ongoing basis tends to have strong antecedents of entrepreneurial behavior (Kuratko, Ireland, & Hornsby, 2004b). Managerial support refers to championing of opportunities and providing the resources. In family businesses, the top managers' decision to encourage an opportunity-driven culture acts as an antecedent and driver of entrepreneurial strategic behavior to develop the family office. Table 5 summarizes Propositions 5 and 6 associated with the role of enabling factors conveying entrepreneurial profiles and attitudes, and the development of a family office.

Table 5. Propositions	
Enabling Factors Conveying Entrepreneurial Vision, Values, and Strategy	
Proposition 1	(i) The strength of the family's entrepreneurial values and beliefs, the stability of (ii) the family project, and (iii) the family ownership strategy over time are positively related to the development of a family office.
Proposition 2	(i) The presence of an entrepreneurial strategic vision, and/or (ii) the intensity of an opportunity-driven culture by the management team, and/or (iii) the presence of a portfolio strategy are positively related to the development of a family office.
Family Office Enabling Factors	
Proposition 3	(i) The clarity of family agreements and/or (ii) the effectiveness of the family governance system and/or (iii) the degree of qualification of family members are positively related to the development of a family office.
Proposition 4	(i) The effectiveness of the corporate governance system and/or (ii) the presence of systematic processes for opportunity-seeking and recognition at the organizational level are positively related to the development of a family office.
Enabling Factors Conveying Entrepreneurial Profiles and Attitudes	
Proposition 5	(i) The intensity to which the previous entrepreneurial experience of leading family members and/or (ii) the presence of entrepreneurial mentoring of younger generations, are positively related to the development of a family office.
Proposition 6	(i) The strength of the entrepreneurial skills of the top management team and/or (ii) the extent to which flexible ownership strategies exploit more potential opportunities are positively related to the development of a family office.

Limitations

First, based on limited research conducted on family offices, our model brings a nascent, initial step in understanding the relationship between the family business and the family office and how families collectively approach the management of their wealth and the implementation of a family office. In so doing, the model advances a set of possible avenues for further theory testing of this relationship, based on the propositions advanced. Second, the paper answers the call by researchers to develop an integrative perspective of entrepreneurship and family business to better understand the nexus between family and business using the family as the level of analysis, how entrepreneurial orientation affects family resources, and if generational roles make a difference to the level of entrepreneurial orientation (Chrisman et al., 2003; Habbershon et al., 2002), as well as the role and influence of the family in the entrepreneurial process and in generating transgenerational wealth (Habbershon, Nordqvist, & Zellweger, 2010; Heck, Hoy, Poutziouris, & Steier, 2008; Nordqvist, Habbershon, & Melin, 2008; Zellweger et al., 2012). Due to the exploratory nature of our pilot, our sample was limited in size and scope. Further, a majority of the families represented Western countries, which may influence the nature of the entrepreneurial process conceived. The pilot sample was somewhat biased, due to a sample of convenience. Finally, the interpretive research framework was strongly leveraged in extant understandings of the entrepreneurial process and corporate entrepreneurship phenomena in the relevant literature, which guided the data collection and qualitative analysis process. Many of the emergent dimensions and concepts from the study, while building on extant literature, have not been linked to the phenomenon under consideration in previous research.

Implications for Future Research

If we consider some of the key challenges facing multigenerational business families over time, such as generating both wealth-producing assets and, at the same time, structures and agreements that put together the interests, wishes, and needs of all family members or beneficiaries, this model could be tremendously valuable to both the research and the practitioner communities (Jaffe et al., 2004; Zellweger et al., 2012). Areas such as entrepreneurial orientation and corporate entrepreneurship, governance, strategic management, family business sustainability, and stewardship behavior need further exploration. Future studies around the globe may address the following questions:

How does the long-run entrepreneurial orientation of the owning family influence the implementation, organization, and entrepreneurial orientation of the family office?

How do enterprising families develop effective structures and processes that spur the development of the family's wealth management beyond its core business or family office?

What type of processes and knowledge-based resources and capabilities at the family level influence the development of the family's wealth management activities beyond its core business or family office and its performance? How do they influence this process?

How can we gain a greater understanding of the link of family governance and the implementation of family office as manifestation of family entrepreneurship? How can family governance structures/practices contribute to the development of the family's other investments and ventures beyond its core business and the creation of a family office?

What are the challenges at the family level in evolving to new/appropriate organizational forms for coping with its wealth management activities beyond its core business or the creation of a family office? How does family involvement/commitment evolve as the family increases its wealth management activities beyond its core business?

How can stewardship motivation and family culture contribute to the development of the family's wealth management activities or family office and its performance?

How do owning families that exit their core family business draw on their resulting wealth and existing social, human, and knowledge capital to collectively seek and exploit new opportunities and develop new entrepreneurial activities?

The opportunity to rigorously answer these questions exists for researchers who are interested in the natural connections between the family business and the family office and, most importantly, in the significant role that both domains have on our global economy. In addition, the answers may help us to understand better the implementation and development of a family office as a relevant path for long-run sustainability and wealth creation. This paper also establishes the need for more research attention to focus on this pivotal aspect of the family enterprise development. The relevance of family business entrepreneurship in the implementation process of the family office is critical for the continuity and longevity of family-owned firms. Our suggestive model provides insight into both the determining factors that characterize this entrepreneurial process from its inception to the adoption of a particular family approach to the family office management and governance and includes the opportunities and challenges multigenerational families face in this development and organizational process. Since there has been limited research by the academic community, we hope this model will spur further study.

Conclusion

Our family office model incorporates the important role of entrepreneurship antecedents, elements, and consequences. The model shows that the implementation of the family office occurs as a multilevel entrepreneurial process in established family firms that combines the internal family and business dynamics and external environmental conditions as the main precipitating forces for owning families to develop family offices. This is a specific type of entrepreneurial process. Within the context of complex decision-making, the model suggests that the degree of fit between the entrepreneurial values, vision, strategy, organizational structures, processes, and systems and entrepreneurial profiles and attitudes at family and business levels determines effectiveness. In other words, the higher the internal dynamic fit between these enabling factors at the family and business levels, the higher the likelihood that such processes are facilitated successfully. Therefore, the process requires not only the realization of the entrepreneurial values, vision, and attitudes of the organization's leaders into entrepreneurial actions, but also the existence of effective structures, processes, and systems to be fully realized. The combination of these dynamic factors may be an important key toward the sustainability and long-term viability of the family enterprise and the family office.

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About the Authors

Juan Roure is Professor of Entrepreneurship at IESE Business School, University of Navarra, Spain. He has been Visiting Professor at INSEAD, Stanford Graduate School of Business, Harvard Business School and CEIBS (China). He holds a Ph.D. from Stanford University in the field of innovation and new technology based firms. His areas of interest and teaching are entrepreneurship and private equity, family governance and venturing, growth management, and negotiation. He also serves on the Board/Advisory Board of several companies and he is a consultant to owners of mid-size companies on growth strategies, M&A transactions and change processes.

Juan Luis Segurado is Senior Researcher and Lecturer in Entrepreneurship of the Entrepreneurship Department at IESE Business School, University of Navarra, Spain. He holds a M.S. in Economics from the London School of Economics and Political Science, and conducts research in growth entrepreneurship for the Entrepreneurship and Innovation Centre at IESE Business School. His areas of interest also include new venture funding, corporate entrepreneurship and entrepreneurship in family businesses.

Dianne Welsh is the Hayes Distinguished Professor of Entrepreneurship and Founder of the award winning Entrepreneurship Program at The University of North Carolina Greensboro. She has held three endowed chairs where she started entrepreneurship programs. She holds a Ph.D. in Management from the University of Nebraska-Lincoln, and is a recognized scholar in entrepreneurship, family business, and franchising with six books and over 150 publications. She is the Past President of the U.S. Association for Small Business & Entrepreneurship, a Presidential Appointee to the Board for the U.S. Air Force Academy, a Family Firm Institute Fellow, and Certified Family Business Advisor.

Kirby Rosplock researches, speaks, and writes on family enterprise. As a 4th generation owner and board member of a 125+ year old family business, Kirby's work is enhanced by her experience. Kirby is Director of Research & Development in a multi-family office, GenSpring Family Offices since 2004. Kirby completed a BA from Middlebury College, an MBA from Marquette University and her PhD in Organizational Systems from Saybrook University. Kirby is presently working on a handbook on the family office for Wiley & Sons. She is a board member of Family Enterprise USA, an FFI Fellow, and sits on numerous advisory boards.